

# ORIGINAL



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September 12, 2007

Arizona Corporation Commission  
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RE: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. – Applications for Extensions of its Certificate of Convenience and Necessity (CC&N) Docket No. SW-03575A-07-0300 and W-03576A-07-0300  
INSUFFICIENCY LETTER #2

Dear Sirs:

In reference to the above mentioned application filed on May 17, 2007, and the supporting documents filed on August 14, 2007, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. According to the Master Plan for Legends ("Master Plan"), the proposed population density is based on greater than or equal to six dwelling units per acres, the developer proposes to install single/multi-family residential, 11 schools, parks, commercial area and golf course. In reviewing the existing CC&N maps; it does not seem cost effective that the Company delivers the treated effluent from the existing Palo Verde wastewater treatment plant ("Palo Verde") to the requested area at present time. Please explain, how the Company plans to serve the golf course irrigation, if the golf course has to be developed first before any other development.
2. The Master Plan indicates that the drinking water source is dependent on groundwater. However, the requested water construction plan shows that CAP (surface water) treatment plant is planned. Please explain.
3. According to the initial water quality information, all four irrigation wells, having potential to convert to drinking water wells, contain nitrate and arsenic levels exceeding MCL of nitrate and arsenic. Since the requested area is approximately 13 miles away from the Company's North zone water campus, blending plan may not be a cost effective solution, individual arsenic/nitrate removal treatment plant(s) should be planned. Please provide the Company's proposed plan of how to resolve the nitrate and arsenic problems.
4. According to ADWR's well database, the maximum pump capacities for the four proposed wells are in the range of 375 gpm to 1,100 gpm, some wells were drilled from 1944 to 1979. Is it still cost effective to develop one of those old irrigation wells? Please explain.

5. The Master Plan indicated that the Clear Creek and Associates prepared the hydrogeologic study. Is this the same hydrogeologic study the Company provided in Docket Nos. SW-03575A-05-0307 and W-03576A-05-0307 project? If it is not, please provide a copy for engineering staff to use.
6. Since the Company projected growth in the requested area is 1,100 customers in the first five year, it could be very costly for the Company to install a small on-site package plant and/or to install an approximately 13 mile force main to treat sewage from the requested area in the Palo Verde Treatment Plant. Does the Company plan to use vault and haul technique to handle the first five year growth?
7. Please indicate the proposed water and sewer treatment plant site location, since the vicinity map does not show the location of Russell Rd, Clayton Rd, Kortsen Rd, Indian Valley Rd or North Midway Rd.

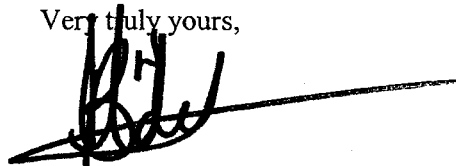
Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), the time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete. Upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting.

**Please file your response to this Insufficiency Letter with Docket Control.**

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 or Dorothy Hains at 602-542-7274.

Very truly yours,



Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
Vicki Wallace